



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED
JUNE-30-17
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Gensource Potash Corporation (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Gensource Potash Corporation

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	As at June 30, 2017	As at December 31, 2016
ASSETS		
Current assets		
Cash	\$ 402,654	\$ 1,957,093
Prepaid expenses and deposits	152,862	88,174
HST and other receivables	58,397	173,821
Total current assets	613,913	2,219,088
Non-current assets		
Investments	8,052	9,199
Exploration and evaluation assets (notes 3 and 10)	11,284,656	6,904,051
Property, plant and equipment (note 4)	17,748	20,357
Total non-current assets	11,310,456	6,933,607
Total assets	\$ 11,924,369	\$ 9,152,695
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities	\$ 397,325	\$ 2,269,499
Flow-through premium obligation (note 5(b)(iii))	177,400	306,629
Total current liabilities	574,725	2,576,128
Shareholders' equity		
Share capital (note 5)	25,628,022	20,296,454
Units to be issued	14,213	15,400
Contributed surplus	3,129,583	2,415,432
Deficit	(17,422,174)	(16,150,719)
Total shareholders' equity	11,349,644	6,576,567
Total shareholders' equity and liabilities	\$ 11,924,369	\$ 9,152,695

Nature of operations and going concern (note 1)

Subsequent events (note 11)

Approved by the Board of Directors:

"Michael Ferguson" (signed) Director
Michael Ferguson, Director

"Paul Martin" (signed) Director
Paul Martin, Director

The notes to the Unaudited Condensed Interim Consolidated financial statements are an integral part of these statements.

Gensource Potash Corporation

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Expenses				
General and administrative (notes 9 and 10)	\$ 430,496	\$ 354,163	\$ 840,026	\$ 570,672
Share-based payments (note 6)	436,125	136,018	737,911	136,018
Depreciation (note 4)	1,304	1,210	2,609	2,372
Reassessed Goods and Service Tax (note 7)	-	188	-	114,387
	867,925	491,579	1,580,546	823,449
Loss before undercoated items	(867,925)	(491,579)	(1,580,546)	(823,449)
Interest income	681	744	3,608	1,481
Unrealized gain (loss) on FVTPL investments	-	(1,147)	(1,146)	479
Flow-through premium obligation discharged	-	3,789	306,629	7,260
Loss and comprehensive loss	\$ (867,244)	\$ (488,193)	\$ (1,271,455)	\$ (814,229)
Basic and diluted net loss per share (note 8)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	282,477,103	192,033,195	278,493,933	180,987,200

The notes to the Unaudited Condensed Interim Consolidated financial statements are an integral part of these statements.

Gensource Potash Corporation
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Six Months Ended June 30,	
	2017	2016
Operating activities		
Net loss	\$ (1,271,455)	\$ (814,229)
Adjustments for:		
Depreciation	2,609	2,372
Share-based payments	737,911	136,018
Unrealized loss (gain) on FVTPL investments	1,146	(479)
Flow-through premium obligation discharged	(306,629)	(7,260)
	(836,418)	(683,578)
Changes in non-cash working capital	(1,821,438)	(72,725)
Net cash used in operating activities	(2,657,856)	(756,303)
Investing activities		
Purchase of property, plant and equipment	-	(1,000)
Acquisition and expenditures on exploration and evaluation assets	(4,380,605)	(1,685,514)
Net cash used in investing activities	(4,380,605)	(1,686,514)
Financing activities		
Cash proceeds for shares to be issued	7,056	-
Cash proceeds from issuance of units	5,066,242	2,000,000
Cash proceeds from exercise of warrants	728,660	514,998
Cost of issuance	(356,936)	(62,513)
Cash proceeds from exercise of stock options	39,000	-
Net cash provided by financing activities	5,484,022	2,452,485
Net change in cash	(1,554,439)	9,668
Cash, beginning of period	1,957,093	1,781,257
Cash, end of period	\$ 402,654	\$ 1,790,925

The notes to the Unaudited Condensed Interim Consolidated financial statements are an integral part of these statements.

Gensource Potash Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Issued shares	Share capital	Units to be issued	Contributed surplus	Deficit	Total
Balance, December 31, 2015	169,941,205	\$15,503,008	\$ -	\$ 2,123,740	\$(13,199,236)	\$ 4,427,512
Forfeiting of stock options				(52,680)	52,680	
Issuance of units (note 5(b)(i))	28,571,429	2,000,000	-	-	-	2,000,000
Issuance of units from exercise of warrants	10,299,967	514,998	-	-	-	514,998
Issuance cost - cash	-	(62,513)	-	-	-	(62,513)
Share-based payments (note 6)	-	-	-	136,018	-	136,018
Loss and comprehensive loss for the period	-	-	-	-	(814,229)	(814,229)
Balance, June 30, 2016	208,812,601	\$17,955,493	\$ -	\$ 2,207,078	\$(13,960,785)	\$ 6,201,786
Balance, December 31, 2016	247,608,949	\$20,296,454	\$ 15,400	\$ 2,415,432	\$(16,150,719)	\$ 6,576,567
Issuance of units (note 5(b)(ii),(iii),(iv))	37,851,838	4,783,373	(15,400)	-	-	4,767,973
Issuance of units from exercise of warrants	7,043,938	1,019,771	14,213	-	-	1,033,984
Issuance cost - cash	-	(356,936)	-	-	-	(356,936)
Share-based payments (note 6)	-	-	-	737,911	-	737,911
Flow-through premium (note 5(b)(iii))	-	(177,400)	-	-	-	(177,400)
Issuance of units from exercise of options	500,000	62,760	-	(23,760)	-	39,000
Loss and comprehensive loss for the period	-	-	-	-	(1,271,455)	(1,271,455)
Balance, June 30, 2017	293,004,725	\$25,628,022	\$ 14,213	\$ 3,129,583	\$(17,422,174)	\$ 11,349,644

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of operations and going concern

Gensource Potash Corporation (the "Company" or "Gensource") is based in Saskatoon, Saskatchewan and is focused on developing resource opportunities with a specific focus on potash development. As is common with many exploration companies, it raises financing for its exploration and development activities. Its registered head office is located at the care of Peterson & McVicar LLP, 390 Bay Street, Suite 806, Toronto, Ontario, M5H 2Y2.

These unaudited condensed interim consolidated financial statements were authorized and approved by the Board of Directors on August 25, 2017.

The unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2017, the Company had working capital of \$39,188 and an accumulated deficit in the amount of \$17,422,174. The Company is in the exploration stage and is subject to the risks and challenges similar to other companies in a comparable stage of exploration.

The Company's ability to continue operations, as intended, is dependent on its ability to continue to raise adequate financing in order to sustain ongoing expenditures and to explore and evaluate resource properties. The Company has taken additional steps to preserve cash including deferrals to management compensation. However, there can be no assurance that the Company will be able to obtain sufficient financing to continue its operations or to recover its exploration and evaluation assets. Accordingly, there exists a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements do not reflect any adjustments or other changes that may be required should the Company be unable to continue as a going concern. Such adjustments and changes could be material.

2. Summary of significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS's issued and outstanding as of August 25, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited annual consolidated financial statements as at and for the year ended December 31, 2016, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2017 could result in restatement of these unaudited condensed interim consolidated financial statements.

Recent accounting pronouncement

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on January 1, 2018. The Company is currently assessing the impact of this pronouncement.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

3. Exploration and evaluation assets

The Lothar Project

Beginning in November 2011, the Company began acquiring freehold potash leases from private mineral titleholders in one prospect area (the "Lothar" potash prospect) in southeast Saskatchewan. The Lothar Project is comprised of 47 potash leases covering 10,277.82 acres of freehold subsurface mineral rights in the vicinity of the town of Lemberg, Saskatchewan. In December 2016, the Company has made the decision to not pursue the project and therefore recorded an impairment of the related exploration and evaluation assets.

The Lazlo Project

In January 2013, the Company began the process of acquiring freehold potash leases from private mineral titleholders in area surrounding the town of Craik in central Saskatchewan (the "Lazlo" potash prospect). The Company currently has signed 14 lease agreements covering 6,162.56 acres of freehold subsurface mineral rights in the vicinity of the town of Craik, Saskatchewan. Each of the freehold potash leases grants to the Company the exclusive rights to explore, prospect and remove subsurface minerals for a term of twenty-one years subject to the Crown Royalty rate on potash sold and a \$1.00 per acre annual rental.

The Vanguard Project

The Vanguard Area is located in central Saskatchewan and comprises two mineral leases that have been acquired from Yancoal Canada Resources ("YCR").

On April 6, 2016, the Company announced that it has entered into a definitive Asset Purchase Agreement ("APA") which included an off-take term sheet ("Term Sheet") for the sale of potash. Collectively, these transactions offer the Company the opportunity to advance its business plan of becoming a future potash producer in Saskatchewan. The agreement is between the Company and YCR.

APA is now fully closed and all conditions have been met. The APA defined the terms for the purchase by the Company of two potash exploration permits ("Permit" or "Permits") conditional upon their conversion into mineral production leases ("Lease" or "Leases") and also contains a Term Sheet that defines key terms for the future sale of potash product from the proposed facility. Key terms of the transaction include a purchase price of \$2,480,000 (paid in full in July 2016), payable as two installments: (i) \$1,240,000 in cash at closing within 30 days of the effective date of the APA; and, (ii) a convertible debenture to YCR in the principal amount of \$1,240,000 that is due on the later of 90 days of the effective date of the APA and the close of the transaction, payable in cash or convertible to shares in the Company if sufficient funds are not raised. The shares would be issued at an exercise price equal to the 20 day VWAP prior to the maturity date. The Company has now paid the full \$2,480,000 purchase price as well as approximately \$300,000 for the Lease conversion costs, the debenture is cancelled.

On April 3, 2017, the Company executed a shareholder agreement ("Shareholder Agreement") with Essel Group ME Limited ("EGME") to create a joint venture company, Vanguard Potash Corp. ("JV" or "Vanguard"), pursuant to the memorandum of understanding between the two parties announced on November 29, 2016.

Vanguard is a private corporation incorporated under the laws of Saskatchewan and headquartered in Saskatoon, SK. Vanguard's sole purpose is: (i) to finance, develop, engineer, construct and operate a mine and processing plant to produce potash from the Vanguard asset near Eyebrow and Tugaske in Saskatchewan; and (ii) to market and sell the potash product.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

3. Exploration and evaluation assets (continued)

The Vanguard Project (continued)

The key terms of the Shareholder Agreement are as follows:

- (a) EGME will contribute capital to Vanguard in two tranches:
 - (i) First tranche of \$US 5M will be used to fund the feasibility study and will be provided following compliance with the required Canadian banking regulations and processes;
 - (ii) Second tranche of \$US 200M, which represents the full estimated capital to construct and commissioning of the first facility of the Vanguard project;
- (b) Gensource will assign a 49% interest in the KL 245 lease (the "Lease") to Vanguard;
- (c) Gensource will assign the Mining Rights Agreement to Vanguard, allowing it to benefit from 100% of mining on the Lease;
- (d) Gensource will assign the Technical Services and Technology Agreement to Vanguard, bringing Gensource's expertise and unique approach to potash mining and processing to the JV;
- (e) Vanguard will become 49% owned by EGME and 51% owned by Gensource upon receipt of the first tranche of financing (\$US 5M). Once construction financing is committed and delivered (estimated at \$US 200M), Vanguard will become 70% owned by EGME and 30% by Gensource;
- (f) Following the completion of Phase One of the Vanguard 1 Project (to produce 250,000 tonnes of potash per annum), both parties shall make all commercially reasonable efforts to undertake and complete one or more expansion phase necessary to increase production of potash to a minimum of 1M tonnes/per annum, the final production target; and
- (g) The board of Vanguard will initially comprise of three nominees of EGME and two nominees of Gensource. A jointly appointed management team will lead the development of the new potash facility. Gensource will maintain control of Vanguard until construction financing has been committed.

On April 21, 2017, the Company announced that the offtake agreement with Yancoal Canada Resources was terminated.

Cost	Lothar	Lazlo	Vanguard	Total
Balance, December 31, 2015	\$ 1,703,714	\$ 1,012,558	\$ -	\$ 2,716,272
Additions:				
Property acquisition and surface access fees	7,039	7,868	2,824,389	2,839,296
Geological and project management	-	68,450	377,798	446,248
Engineering	-	-	675,946	675,946
Drilling	-	-	1,937,042	1,937,042
Impairment	(1,710,753)	-	-	(1,710,753)
Balance, December 31, 2016	\$ -	\$ 1,088,876	\$ 5,815,175	\$ 6,904,051
Additions:				
Property acquisition and surface access fees	-	6,317	288,365	294,682
Geological and project management	-	9,000	113,275	122,275
Engineering	-	-	2,453,253	2,453,253
Drilling	-	-	567,727	567,727
Seismic	-	-	903,787	903,787
Environmental	-	-	38,881	38,881
Balance, June 30, 2017	\$ -	\$ 1,104,193	\$ 10,180,463	\$ 11,284,656

Executive compensation capitalized as exploration and evaluation assets was \$67,500 for the six months ended June 30, 2017 (year ended December 31, 2016 - \$120,000).

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

4. Property, plant and equipment

Cost

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
Balance, December 31, 2016	106,692	90,836	12,350	95,853	305,731
Balance, June 30, 2017	106,692	90,836	12,350	95,853	305,731

Accumulated depreciation

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
Balance, December 31, 2016	97,812	79,359	12,350	95,853	285,374
Depreciation for the period	888	1,721	-	-	2,609
Balance, June 30, 2017	98,700	81,080	12,350	95,853	287,983

Carrying amount

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
At December 31, 2016	8,880	11,477	-	-	20,357
At June 30, 2017	7,992	9,756	-	-	17,748

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

5. Share capital

a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares. The common shares have no par value.

b) Common shares

At June 30, 2017, the Company has 293,004,725 common shares (December 31, 2016 – 247,608,949) issued and outstanding.

i) On May 6, 2016, the Company completed a non-brokered private placement of 28,571,429 units at a price of \$0.07 per unit for aggregate gross proceeds of \$2,000,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of \$0.12 for a period of twenty-four months. These warrants were assigned a value of \$700,000 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.56%;
- Expected life: 2 years;
- Expected volatility: 140% based on historical trends; and
- Weighted average share price: \$0.08.

The Company paid a total of \$62,513 in finder's fees and issued 893,050 broker warrants associated with the closing. Each broker warrant entitles the holder thereof to purchase one unit, which consists of one common share and one-half of one common share purchase warrant, at an exercise price of \$0.07 for a period of 24 months. Each whole common share purchase warrant entitles the holder to purchase one common share until May 5, 2018 at the exercise price of \$0.12 per share. These warrants were assigned a value of \$36,615 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.56%;
- Expected life: 2 years;
- Expected volatility: 140% based on historical trends; and
- Weighted average share price: \$0.07.

ii) On January 20, 2017, the Company has completed a non-brokered private placement financing consisting of the sale of 27,272,728 units (the "Units") at \$0.11 per Unit for aggregate gross proceeds of \$3,000,000. Each Unit consisted of one (1) common share in the capital stock of the Company ("Common Share") and one-half (1/2) of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire an additional Common Share at a price of \$0.17 for a period of 24 months from the date of issuance.

The Company also paid a total of \$122,109 in finder's fees and issued 1,110,085 broker warrants ("Broker Warrants") to eligible finders in connection with the Offering. Each Broker Warrant will entitle the holder thereof to purchase one Unit at an exercise price of \$0.11 for a period of 24 months following the closing date of the Offering.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

5. Share capital (continued)

b) Common shares (continued)

iii) On May 31, 2017, the Company completed tranche one of a brokered private placement of 8,870,000 flow-through shares ("Flow-through Shares") at a price of \$0.20 per Flow-through Share and 1,634,110 non-flow-through shares at a price of \$0.18 per Unit for aggregate gross proceeds of \$2,068,140.

As a result of the issuance of flow-through units, a flow-through premium of \$177,400 was calculated. The entire balance of flow-through premium has been presented as a current liability in the consolidated statements of financial position.

The Company paid a total of \$169,851 in finder's fees and issued 861,884 broker warrants associated with the closing, entitling the holder thereof to purchase one common share at exercise price of \$0.18 for a period of eighteen months. These warrants were assigned a value of \$65,965 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.69%;
- Expected life: 1.5 years;
- Expected volatility: 106% based on historical trends; and
- Weighted average share price: \$0.165.

iv) On June 29, 2017, the Company completed tranche two of a brokered private placement of 75,000 non-flow-through shares at a price of \$0.18 per Unit for aggregate gross proceeds of \$13,500.

The Company paid a total of \$540 in finder's fees and issued 3,000 broker warrants associated with the closing, entitling the holder thereof to purchase one common share at exercise price of \$0.18 for a period of eighteen months. These warrants were assigned a value of \$187 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.09%;
- Expected life: 1.5 years;
- Expected volatility: 106% based on historical trends; and
- Weighted average share price: \$0.145.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

5. Share capital (continued)

c) Warrants

The Company has the following warrants outstanding as a result of equity issues:

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2015	43,443,096	0.08
Issued (note 5(b)(i))	15,178,775	0.12
Exercised	(10,299,967)	0.05
Expired	(33)	0.05
Balance, June 30, 2016	48,321,871	0.10
Balance, December 31, 2016	55,969,467	0.13
Issued (note 5(b)(ii)(iii)(iv))	16,151,131	0.16
Exercised	(7,144,738)	0.10
Expired	(903,571)	0.10
Balance, June 30, 2017	64,072,289	\$0.14

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

5. Share capital (continued)

c) Warrants (continued)

Issue date	Expiry date	Exercise price	Number of warrants
November 6, 2015	November 6, 2017	\$0.12	3,520,285
December 29, 2015	December 29, 2017	\$0.12	10,036,425
December 31, 2015	December 31, 2017	\$0.12	125,000
December 31, 2015 ⁽¹⁾	December 31, 2017	\$0.07	30,100
May 6, 2016	May 5, 2018	\$0.12	12,943,365
May 6, 2016 ⁽²⁾	May 5, 2018	\$0.07	367,245
September 19, 2016	September 19, 2018	\$0.15	16,747,641
September 19, 2016 ⁽³⁾	September 19, 2018	\$0.11	894,485
September 19, 2016 ⁽⁴⁾	September 19, 2018	\$0.09	1,144,384
October 26, 2016	October 26, 2018	\$0.15	2,520,372
October 26, 2016 ⁽⁵⁾	October 26, 2018	\$0.09	131,654
January 20, 2017	January 20, 2019	\$0.17	13,636,364
January 20, 2017 ⁽⁶⁾	January 20, 2019	\$0.11	1,110,085
May 31, 2017 ⁽⁷⁾	November 30, 2018	\$0.18	861,884
June 29, 2017 ⁽⁷⁾	December 29, 2018	\$0.18	3,000
Weighted average exercise price		\$0.14	64,072,289

⁽¹⁾ Each broker warrant entitles the holder thereof to purchase one unit, which consists of one common share and one-half of one common share purchase warrant, at an exercise price of \$0.07 for a period of 24 months. Each whole common share purchase warrant entitles the holder to purchase one common share until December 31, 2017 at the exercise price of \$0.12 per share.

⁽²⁾ Each broker warrant entitles the holder thereof to purchase one unit, which consists of one common share and one-half of one common share purchase warrant, at an exercise price of \$0.07 for a period of 24 months. Each whole common share purchase warrant entitles the holder to purchase one common share until May 5, 2018 at the exercise price of \$0.12 per share.

⁽³⁾ Each broker warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.11 for a period of 24 months.

⁽⁴⁾ Each broker warrant entitles the holder thereof to purchase one unit, which consists of one common share and one common share purchase warrant, at an exercise price of \$0.09 for a period of 24 months. Each whole common share purchase warrant entitles the holder to purchase one common share until September 19, 2018 at the exercise price of \$0.15 per share.

⁽⁵⁾ Each broker warrant entitles the holder thereof to purchase one unit, which consists of one common share and one common share purchase warrant, at an exercise price of \$0.09 for a period of 24 months. Each whole common share purchase warrant entitles the holder to purchase one common share until October 26, 2018 at the exercise price of \$0.15 per share.

⁽⁶⁾ Each broker warrant entitles the holder thereof to purchase one unit, which consists of one common share and one-half common share purchase warrant, at an exercise price of \$0.11 for a period of 24 months. Each whole common share purchase warrant entitles the holder to purchase one common share until January 20, 2019 at the exercise price of \$0.17 per share.

⁽⁷⁾ Each broker warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.18 for a period of 18 months.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

6. Stock options

Stock option transactions for the periods presented are as follows:

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2015	13,610,607	0.08
Granted ⁽¹⁾⁽²⁾⁽³⁾	5,200,000	0.06
Expired/forfeited	(1,200,000)	0.08
Balance, June 30, 2016	17,610,607	0.08
Balance, December 31, 2016	16,510,607	0.08
Granted ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾	11,050,000	0.15
Exercised	(500,000)	(0.08)
Balance, June 30, 2017	27,060,607	0.11

The weighted average grant date fair value of options granted during the six months ended June 30, 2017 was \$0.13 (June 30, 2016 - \$0.07).

⁽¹⁾ On April 20, 2016, the Company granted 1,500,000 options to certain directors and officers of the Company. The stock options each have an exercise price of \$0.07 per share and are exercisable for a period of 5 years. The options will vest after 1 year from the date of grant. The estimated fair value of these options at the grant date was \$121,500 using the Black-Scholes valuation model. During the three and six months ended June 30, 2017, \$4,438 and \$24,411, respectively was expensed (three and six months ended June 30, 2016 - \$23,967). The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.8%;
- Expected life: 5.0 years;
- Expected volatility: 141% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.09.

⁽²⁾ On June 7, 2016, the Company granted 3,200,000 options, of which 3,000,000 were granted to certain directors and officers of the Company and 200,000 were granted to employees. The stock options each have an exercise price of \$0.06 per share and are exercisable for a period of 5 years. The options will vest after 1 year from the date of grant. The estimated fair value of these options at the grant date was \$230,400 using the Black-Scholes valuation model. During the three and six months ended June 30, 2017, \$42,924 and \$99,735, respectively was expensed (three and six months ended June 30, 2016 - \$14,518). The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.63%;
- Expected life: 5.0 years;
- Expected volatility: 141.7% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.08.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

6. Stock options (continued)

(3) On June 7, 2016, the Company granted 500,000 options to a consultant of the Company. The stock options each have an exercise price of \$0.08 per share and are exercisable for a period of 5 years. The options will vest upon signing of a definitive agreement with NMDC, which at this time the Company is uncertain of how long it will take. As a result, during the three and six months ended June 30, 2017 and June 30, 2016, no expense was recorded. The estimated fair value of these options at the grant date was \$35,500 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.63%;
- Expected life: 5.0 years;
- Expected volatility: 141.7% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.08.

(4) On February 21, 2017, the Company granted 5,300,000 stock options (including 4,500,000 stock options to directors and officers of the Company) at an exercise price of \$0.13 and are exercisable for a period of 5 years. The options will vest after 1 year from the date of grant. The estimated fair value of these options at the grant date was \$545,900 using the Black-Scholes valuation model. During the three and six months ended June 30, 2017, \$136,101 and \$192,935, respectively, was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.17%;
- Expected life: 5.0 years;
- Expected volatility: 133% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.17.

(5) On February 21, 2017, the Company granted 750,000 stock options at an exercise price of \$0.17 and are exercisable for a period of 5 years. 450,000 options vested immediately and the the remaining 300,000 options will vest with the following terms: 75,000 options on May 21, 2017, 75,000 options on August 21, 2017, 75,000 options on November 21, 2017, 75,000 options on February 21, 2018. The estimated fair value of these options at the grant date was \$103,500 using the Black-Scholes valuation model. During the three and six months ended June 30, 2017, \$14,318 and \$89,891, respectively, was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.17%;
- Expected life: 5.0 years;
- Expected volatility: 133% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.17.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

6. Stock options (continued)

(6) On April 24, 2017, the Company granted 3,000,000 options to consultants of the Company. The stock options each have an exercise price of \$0.18 per share and are exercisable for a period of 5 years. The options vested 750,000 immediately, 750,000 in one year and 1,500,000 when Vanguard 1 reaching design capacity. The estimated fair value of these options at the grant date was \$465,000 using the Black-Scholes valuation model. During the three and six months ended June 30, 2017, \$147,430 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.03%;
- Expected life: 5.0 years;
- Expected volatility: 132% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.18.

(7) On May 10, 2017, the Company granted 500,000 options to a consultant of the Company. The stock options each have an exercise price of \$0.18 per share and are exercisable for a period of 5 years. The options vest 500,000 in one year and 1,000,000 on final closing of JV Partnership, but not sooner than one year. The estimated fair value of these options at the grant date was \$77,500 using the Black-Scholes valuation model. During the three and six months ended June 30, 2017, \$77,500 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.06%;
- Expected life: 5.0 years;
- Expected volatility: 131% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.18.

(8) On May 10, 2017, the Company granted 1,500,000 options to a consultant of the Company. The stock options each have an exercise price of \$0.14 per share and are exercisable for a period of 5 years. The options vested immediately. The estimated fair value of these options at the grant date was \$237,000 using the Black-Scholes valuation model. During the three and six months ended June 30, 2017, \$33,115 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.06%;
- Expected life: 5.0 years;
- Expected volatility: 131% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.18.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

6. Stock options (continued)

The following table reflects the stock options issued and outstanding as of June 30, 2017:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
August 24, 2017	0.10	0.15	1,050,000	1,050,000	-
November 29, 2017	0.10	0.42	100,000	100,000	-
November 29, 2017	0.10	0.42	100,000	100,000	-
January 23, 2019	0.10	1.57	2,791,748	2,791,748	-
October 24, 2019	0.06	2.32	1,500,000	1,500,000	-
April 16, 2020	0.07	2.80	1,968,859	1,968,859	-
October 1, 2020	0.07	3.26	1,300,000	1,300,000	-
April 19, 2021	0.07	3.81	1,000,000	1,000,000	-
June 6, 2021	0.06	3.94	3,200,000	3,200,000	-
June 6, 2021	0.08	3.94	500,000	-	500,000
September 7, 2021	0.08	4.19	1,000,000	-	1,000,000
September 18, 2021	0.06	4.22	1,000,000	-	1,000,000
December 6, 2021	0.10	4.44	500,000	500,000	-
February 20, 2022	0.13	4.65	5,300,000	-	5,300,000
February 20, 2022	0.17	4.65	750,000	525,000	225,000
April 23, 2022	0.18	4.82	3,000,000	750,000	2,250,000
May 9, 2022	0.18	4.86	500,000	500,000	-
May 9, 2022	0.14	4.86	1,500,000	-	1,500,000
	0.11	3.66	27,060,607	15,285,607	11,775,000

7. Reassessed Goods and Service Tax ("GST")

During the three months ended March 31, 2016, the Company made a payment of \$114,199 as a result of reassessed GST returns filed for the period from July 1, 2011 to December 31, 2012. The amount of \$114,199 includes interest and penalties up to March 16, 2016, the date of the latest Canada Revenue Agency reassessment. The Company is in the process of appealing the reassessment and will reverse the reassessed GST expense if the appeal is successful.

8. Net loss per common share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2017 was based on the loss attributable to common shareholders of \$867,244 and \$1,271,455, respectively (three and six months ended June 30, 2016 – \$488,193 and \$814,229, respectively) and the weighted average number of common shares outstanding of 282,477,103 and 278,493,933, respectively (three and six months ended June 30, 2016 – 192,033,195 and 180,987,200, respectively). All outstanding options and warrants were excluded from the calculation of diluted loss per share because their effect was anti-dilutive.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

9. General and administrative

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Wages, benefits and incentive compensation	\$ 17,321	\$ 11,303	\$ 52,888	\$ 13,975
Sales and marketing	111,240	83,933	204,309	127,734
Professional fees (note 10)	169,566	121,072	322,469	205,736
Office and general	132,369	137,855	260,360	223,227
	\$ 430,496	\$ 354,163	\$ 840,026	\$ 570,672

10. Related party balances and transactions

a) During the three and six months ended June 30, 2017, compensation, salaries and benefits of \$180,000 and \$360,000, respectively, (three and six months ended June 30, 2016 - \$90,000 and \$180,000, respectively) were paid to a director and officers of the Company or related companies controlled by the director and officers of the Company. They were included in general and administrative expenses and exploration and evaluation assets.

b) During the three and six months ended June 30, 2017, share-based payments of \$139,570 and \$318,917, respectively were rewarded to a director and officers of the Company (three and six months ended June 30, 2016 - \$nil)

c) To the knowledge of the directors and executive officers of the Company as of June 30, 2017, the common shares of the Company were widely held, which includes various small holdings which were owned by directors and officers of Gensource. These holdings can change at any time at the discretion of the owner.

The related party transactions were recorded at the exchange amount, which is the amount agreed to by the related parties.

11. Subsequent events

(i) Subsequent to June 30, 2017, 2,000,000 warrants were exercised at an exercise price of \$0.12 for gross proceeds of \$240,000.

(ii) Subsequent to June 30, 2017, 750,000 options, expiring August 24, 2017, were exercised at an exercise price of \$0.10 for gross proceeds of \$75,000. Under the terms of the Company's Stock Option Plan, if the option expiry date falls within a black-out period, the expiry date will automatically be extended to the date which is the fifth business day after the end of black-out period. The options scheduled to expire on August 24, 2017, have not yet expired because there has been a black-out period in effect for the Company since then.